

MARKET ANNOUNCEMENT

## ARN MEDIA 2023 HALF YEAR RESULTS

**ARN Media delivers audience growth across all audio platforms; realising regional synergies despite overall revenues impacted by economic conditions; seeing improving trading conditions in current quarter**

- ARN's strong audience ratings performance continued, holding the #1 network position for metro AM/FM stations in Australia for four of the last five surveys.
- ARN monthly average podcast listening increased 23% to 6.6 million people<sup>1</sup>
- Radio advertising revenues impacted by reduced consumer spend, slowing of the economy and Government spend significantly down.
- On a statutory basis, ARN Group revenues from ordinary activities of \$165.9 million decreased \$6.1 million on the prior period.
- Delivered \$2 million of \$5 million annual national revenue synergies targeted; building on the \$7 million growth in 2022; Gaining share in key markets.
- Digital audio advertising revenues reached \$8.8 million, up 37%, targeting cashflow break even run-rate by end 2024.
- iHeartRadio platform continues to grow, up 12%, with more than 2.5 million registrations.
- Balance sheet remains strong with net debt of \$52.4 million and leverage of 0.8 times EBITDA<sup>2</sup>.
- Group operating costs limited to +2% in the period despite key integration projects being implemented and nearline completion.
- Received proceeds from Soprano sale totalling \$66.3 million.
- Acquired a 14.8% interest in SCA for \$38.3 million – a long term strategic investment in an undervalued sector with ~10% yield.
- Declared half year fully franked dividend of 3.5 cps; ~10% effective yield.
- Accretive share buy-back maintained delivering improved returns for shareholders.
- Q3 radio revenues pacing in line with prior comparative period following above market performance in July. Briefing activity suggests a similar trajectory into the final quarter.
- H2 digital audio revenues are pacing to +25% year on year.

<sup>1</sup> Triton Australia Podcast Ranker Jan-Jun 2023 average vs Jan-Dec 2022 average

<sup>2</sup> On a pre-AASB 16 basis.

## H1 Financial Performance

A\$ million <sup>1</sup>	2023	2022
Revenue	165.9	172.0
Other income	0.9	1.6
Share of associate profits	2.3	5.2
Costs	(133.5)	(130.3)
<b>Underlying EBITDA<sup>2</sup></b>	<b>35.5</b>	<b>48.5</b>
Depreciation and amortisation	(4.2)	(4.5)
Depreciation – Leases	(6.0)	(5.8)
<b>Underlying EBIT<sup>2</sup></b>	<b>25.3</b>	<b>38.1</b>
Net interest	(2.1)	(1.6)
Finance cost – Leases	(0.9)	(0.7)
<b>Net profit before tax<sup>2</sup></b>	<b>22.4</b>	<b>35.8</b>
Taxation on net profit	(6.6)	(9.4)
<b>Net profit after tax (NPAT)<sup>2</sup></b>	<b>15.8</b>	<b>26.4</b>
Less non-controlling interest	(1.1)	(1.7)
<b>NPAT attributable to ARN Media shareholders<sup>2</sup></b>	<b>14.6</b>	<b>24.6</b>
Significant items, net of tax	37.8	2.0
<b>NPAT attributable to ARN Mediashareholders</b>	<b>52.5</b>	<b>26.6</b>
Underlying EPS (cps) <sup>2</sup>	4.8	7.9
Dividend per share (cps)	3.5	5.0

(1) Totals may not add due to rounding  
(2) Before significant items

**SYDNEY, Thursday 24 August 2023** – ARN Media Ltd [ASX: A1N] today released its results for the six months ending 30 June 2023.

In a highly competitive market, ARN's strong audience ratings performance continued with the business having held the #1 network position for metro AM/FM stations in Australia for four of the last five surveys.

Advertising revenues were impacted by reduced consumer spend and a slowing economy, partly offset by growth in digital audio revenues. Additionally, Government spend was significantly down year on year following the 2022 Federal Election. On a statutory basis, ARN Group revenues from ordinary activities of \$165.9 million decreased \$6.1 million on the prior period and EBITDA of \$35.5 million was down 27%.

Net profit after tax attributable to shareholders before significant items (NPAT) was \$14.6 million.

Despite continued domestic inflationary pressures, Group operating costs were limited to 2% in the period.

**ARN Media Chairman, Hamish McLennan said:**

“ARN has delivered a good result in a highly competitive market against a backdrop of reduced consumer spend, a slowing economy and a reduction in government spend, which has impacted revenues.

“The strength of audio is undeniable as both radio and podcast listening continues to grow. We continue to have the number one metropolitan network in Australia with our newly integrated regional network performing strongly as advertisers increasingly pay attention to audio in regional Australia. Importantly, the final components of the regional integration with our metropolitan network are on-track for completion in 2023.

“We are strong believers in the future of the sector reflecting our decision in June to acquire a 14.8% interest in Southern Cross Austereo for \$38.3 million – a business we know well in a sector that is undervalued, positioning ourselves for future value creation”.

The Southern Cross Austereo investment was funded from the \$66.3 million received from the sale of Soprano in March 2023, with additional monies used to pay down debt.

The balance sheet of the Group remains strong with net debt of \$52.4 million and leverage on a pre-AASB 16 basis of 0.8 times EBITDA, before significant items.

Subject to trading conditions, the Group expects to maintain debt levels of under one times EBITDA before significant items, considered an appropriate level of gearing, which gives ARN Media flexibility to continue to pursue its ‘All Audio’ strategy and capitalise on any future growth opportunities.

The Board remains committed to maintaining strong dividends for shareholders thanks to the high cash generating nature of the business with free cash conversion of 85.5%. The Company declared a half year fully franked dividend of 3.5 cents per share, equating to an effective yield in excess of 10%.

In addition, ARN Media’s accretive share buy-back was maintained during the period delivering improved returns for shareholders.

**ARN Media CEO & Managing Director, Ciaran Davis, said:**

“We are seeing increasingly positive trends in all of our audio measurement metrics. Metro commercial radio audiences continue to grow in listener numbers, in key day part listening and the amount of content consumed, with the latest industry survey showing 82% of the metro population aged 10 years and older listened to radio in the past 7 days, which is an extraordinary indicator of the power of audio.

“Our regional network continues to deliver over 147 localised shows, more than any other Australian audio broadcaster, and our leadership in podcasting resulted in a significant lift in digital audio advertising spend, making it the fastest growing category of all general display advertising.

“ARN Media is seeing improved revenue conditions in quarter 3 after gaining market share in July and we are confident our ‘All Audio’ strategy will deliver a strong and integrated audio business for listeners and clients.”

## ARN Metro

- ARN Metropolitan advertising revenues in the period were down 7%, impacted by a slowing of the economy and reduced advertising spend.
- Metro commercial radio audiences continue to grow, with an additional 298,000 people listening in 2023 compared to 2022.
- ARN continues to be #1 metropolitan radio network in Australia reaching over 6 million people a week.
- KIIS 1065 continues to be the most revered station in Sydney, claiming the #1 overall station twice in 2023, and #1 FM Station for six surveys in a row.

ARN Metropolitan advertising revenues in the period were down 7%, impacted by a slowing of the economy and reduced advertising spend across a number of categories, including insurance, automotive dealers and banking. Government spend was also significantly down year on year following the Federal Election in 2022.

In a highly competitive market, ARN’s strong audience ratings performance continued with the business having held the #1 network position for metro AM/FM stations in Australia for four of the last five surveys.

Metro commercial radio audiences continue to grow, with an additional 298,000 people listening in 2023 compared to 2022, which means that 82% of the metro population aged 10 years and older listened to radio in the past 7 days. The latest industry survey showed people are listening for close to 13 and a half hours per week, an increase of almost one hour compared to 2022.

Key daypart listening is also growing. Breakfast radio programs attracted 8.6 million listeners, a growth of 4.9% year on year. Afternoon audiences achieved a record high of 8.0 million people, while listening at work also set a new high of 2.6 million, increasing by almost half a million people.

Streaming metro radio data was released for the first time with the launch of the new GfK Radio 360 hybrid survey system earlier this year. The number of listeners live streaming commercial radio each week grew to 3.29 million, an increase of over 100% since 2021.

KIIS 1065 continues to be the most revered station in Sydney, claiming the #1 overall station twice in 2023, and was the #1 FM Station for six surveys in a row.

GOLD 104.3 is Melbourne’s #1 FM Station for 28 consecutive surveys, proving to be a powerhouse in this market. In the latest survey, GOLD 104.3 was ranked #1 FM across Breakfast, Morning, Afternoon & Weekends. The Christian O’Connell Show has been the #1 FM Breakfast show for 25 consecutive surveys.

## ARN Regional

- ARN Regional continues to perform well, encompassing 46 stations across 26 markets.
- Advertising revenues totalled \$52.2 million, down 4%, significantly impacted by reduced government advertising spend.
- ARN stations featured in five of the regional surveys in 2023, achieving a number of strong results.
- Hot Tomato maintained #1 position on the Gold Coast and 7HO in Hobart secured #1 on an enviable 22.2 share.
- Delivered \$2 million of \$5 million annual national revenue synergies targeted; building on the \$7 million growth in 2022 and gaining share in key competitive markets.
- Within range of the 2023 synergy target and acquisition business case.

ARN Regional, acquired in January 2022 from Grant Broadcasters, with 46 stations across 26 markets, continues to perform well, with the final components of the systems integration on-track for completion in 2023.

In regional markets, radio content is listened to by 79% of the population and continues to play a key role in local communities with 74% of people believing 'radio contributes to a sense of community by broadcasting local news and community announcements'.

We broadcast 147 localised shows across our regional network, more than any other Australian audio broadcaster and through our 26 regional newsrooms broadcast news updates half hourly from 6am to 9am and hourly thereafter.

On strong 2022 comparatives, advertising revenues totalled \$52.2 million in the period, back 4%, impacted by significantly reduced government advertising spend.

ARN stations have featured in five of the regional surveys to date in 2023, achieving a number of strong results. Hot Tomato maintained its #1 position on the Gold Coast and 7HO in Hobart secured #1 on an enviable 22.2 share, while Gold Central in Bendigo gained total listeners.

In the acquisition business case for ARN Regional, we identified the potential for material revenue synergies for ARN of up to \$20 million per annum within three years of completing the acquisition. We delivered our ambitious first year target, writing \$7 million of new revenues in 2022. The target for 2023 is to deliver a further \$5 million of new revenues into the business, and for the first 6 months, we have delivered close to \$2 million.

Despite the current macro-economic conditions, we remain within reach of the 2023 target and the acquisition business case.

## ARN Digital Audio

- Continued strong growth in listening to live streaming of radio and podcasting.
- Digital audio advertising spend in Australia grew 13% during March 2023 quarter compared with the prior period and was the fastest growing category of all general display advertising.
- ARN digital audio advertising revenues up 37% to \$8.8 million.



- Targeting cashflow break even run-rate by the end of 2024.
- Usage of the iHeartRadio platform continues to grow, over 2.5 million registrations (up 12% yoy).
- iHeartPodcast Network a clear market leader, with podcast hits over 1 million.
- Measured investment in original content with several new podcasts successfully launched in the period, including Concealed, The Pool Room with Tony Armstrong, Hooked, Hitched & Hung Up and Astrology Coach.
- Launch of 'Your News Now', one of the world's most technically advanced news podcasts.
- Increasingly using the latest technology, including artificial intelligence to create a curated, relevant and localised listening experience.

ARN continues to prioritise investment in digital audio to capitalise on continued strong growth in live streaming of radio and podcasting.

For the March 2023 quarter, digital audio advertising spend in Australia grew 13% on the comparative quarter and was the fastest growing category of all general display advertising.

ARN's digital audio advertising revenues reached \$8.8 million, up 37% on the prior period. The launch of a simplified suite of digital products and prioritisation of digital sales capability and capacity saw good revenue growth in the June quarter.

Balancing necessary investment for future growth with profitability is a key priority. The EBITDA loss in the period of \$5.2 million is an improvement on 2022, and we are targeting for the digital audio business to achieve a cashflow break even run-rate by the end of 2024.

A key component to our digital ecosystem is our partnership with iHeartMedia, including our long-term licence agreement over the iHeartRadio platform app. Usage of the iHeartRadio platform continues to grow, to over 2.5 million registrations (up 12% yoy).

ARN's iHeartPodcast Network is a clear market leader, with more podcast hits over 1 million monthly downloads than anyone else in the Australian Podcast Ranker<sup>18</sup> and reaching over 72% of Australian Podcast Listeners.

ARN's podcast network increased by +23% listeners and +25% downloads for the first half of 2023 (vs avg CY-22).

Measured investment in the production of original content that attracts listeners to our network is important to capitalise on this growth. Several new podcasts were successfully launched in the period, including Concealed, The Pool Room with Tony Armstrong, Hooked, Hitched & Hung Up and Astrology Coach.

In March we launched 'Your News Now', one of the world's most technically advanced news podcasts, delivering a 3-minute burst of news, sport and weather, delivered via a geo-location aware feed that

adapts the content to anywhere in Australia. We are increasingly using the latest technology, including artificial intelligence to create a curated, relevant and localised listening experience.

### **CODY (HK OUTDOOR)**

Cody Outdoor revenues and EBITDA finished down 5% and 14% respectively. On a like basis, adjusted for the loss of the HK Tramways contract in May 2022, revenues were up 30% on the prior period.

Cody Outdoor was unsuccessful in retaining the Western Harbour Tunnel advertising contract on completion of the current contract in August 2023.

The contract contributed approximately 50% of total advertising revenues of the business. We are undertaking a strategic review but remain focused on minimising operating cashflow requirements.

### **Trading Update**

Q3 radio revenues pacing in line with prior comparative period following above market performance in July. Briefing activity suggests a similar trajectory into the final quarter.

H2 digital audio revenues are pacing to +25% year on year.

Total ARN people & operating costs in challenging market conditions remain on track to finish near flat yoy (in line with May guidance).

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This and today's other half year results announcements have been authorised for release by the Board of ARN Media Limited.

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